



**SEVENTY-EIGHTH  
ANNUAL REPORT  
DECEMBER 1970**

*Serving Canadian Industries  
with Quality Food Products  
through*

*Manufacture • Import • Distribution and Research*





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#### DIRECTORS

*Aubrey W. Baillie*  
*Thomas H. Bowes*  
*Thomas G. Drew-Brook*  
*Bremner B. Green*  
*Earle B. Hawkins*  
*Stanley L. Meek, C.A.*  
*James W. Walker, Q.C.*

#### OFFICERS

*Aubrey W. Baillie — Chairman of the Board*  
*Bremner B. Green — President and General Manager*  
*Thomas H. Bowes — Vice-President*  
*Stanley L. Meek, C.A. — Secretary-Treasurer*

#### HEAD OFFICE

*181 Carlaw Avenue, Toronto 8, Ontario*

#### AUDITORS

*Clarkson, Gordon & Co.*

#### COUNSEL

*McCarthy and McCarthy*

#### TRANSFER AGENT

*National Trust Company, Limited*



*To the Shareholders:*

**Y**OUR Directors are pleased to submit the 1970 Annual Report of Bowes Company Limited including the consolidated financial statements of the Company and its subsidiary companies for the year ended December 31, 1970.

Consolidated net profit for the year after provisions for income taxes amounted to \$973,564 compared with a net profit of \$977,143 for 1969. This represents \$1.61 per common share in 1970 which was the same in 1969. In the opinion of your Directors, your Company had another excellent year in view of the intense competition within the Food Industry particularly in the last quarter. Your Company, along with most others, is being continually faced with increased costs, and is finding it difficult to increase margins and sales sufficiently to absorb these additional expenses.

Consolidated cash flow from operations amounted to \$1,410,670 in 1970 as compared with \$1,368,337 in 1969. The Company's working capital increased by \$564,907 to \$5,373,644.

Our Company's share of earnings from affiliated companies for the year amounted to \$69,000 and is not included in our statement of consolidated income. Our underlying equity in these companies is \$568,000 and is being carried on the balance sheet at \$127,909.

The common shareholders received a quarterly dividend of 12½ cents per share and an extra dividend of 10¢ per share in 1970, which amounts to 60¢ per common share, the same as paid in 1969.

Your Directors express their appreciation to the employees of all the companies for their continued loyalty and co-operation during the year.

The report of the auditors of your Company, Messrs. Clarkson, Gordon & Co. on the consolidated statements is respectfully submitted herewith.

March 12, 1971  
Toronto, Ontario

ON BEHALF OF THE BOARD

*A. W. Baulhe*  
Chairman

**BOWES COMPANY, LIMITED**

*and its subsidiary companies*

**STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS**

**for the year ended December 31, 1970**

*(with comparative figures for 1969)*

	<u>1970</u>	<u>1969</u>
Sales and commissions earned .....	<u>\$29,214,660</u>	<u>\$28,759,537</u>
Operating profit for the year before the following .....	\$ 2,567,145	\$ 2,600,414
Add income from investments .....	<u>14,025</u>	<u>15,607</u>
	<u>2,581,170</u>	<u>2,616,021</u>
Deduct:		
Depreciation .....	437,106	391,194
Directors' remuneration .....	<u>113,500</u>	<u>120,684</u>
	<u>550,606</u>	<u>511,878</u>
Profit before income taxes .....	2,030,564	2,104,143
Income taxes .....	<u>1,057,000</u>	<u>1,127,000</u>
Consolidated net profit .....	<u>973,564</u>	<u>977,143</u>
Retained earnings, beginning of year .....	<u>8,307,811</u>	<u>7,693,690</u>
	<u>9,281,375</u>	<u>8,670,833</u>
Less dividends paid on common shares — \$0.60 per share ....	<u>363,022</u>	<u>363,022</u>
Retained earnings, end of year .....	<u>\$ 8,918,353</u>	<u>\$ 8,307,811</u>
Consolidated net profit per share .....	<u>\$1.61</u>	<u>\$1.61</u>

(See accompanying notes to the consolidated financial statements)



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## CONSOLIDATED BALANCE S

(with comparative figures

<u>ASSETS</u>		<u>1970</u>	<u>1969</u>
Current:			
Cash .....	\$	55,288	230,733
Short-term investments — at cost which approximates market value .....		176,997	431,312
Accounts receivable — trade, less allowance for doubtful accounts (note 1) .....		3,323,373	3,070,172
Inventories valued at the lower of cost or replacement cost (note 1) .....		6,791,038	6,791,327
Prepaid expenses .....		56,163	35,542
		<u>10,402,859</u>	<u>10,559,086</u>
Investments:			
Investments in and advances to affiliated companies at cost less amounts written off (note 2) .....		127,909	123,957
Mortgages receivable .....		46,528	67,257
		<u>174,437</u>	<u>191,214</u>
Fixed, at cost:			
Buildings, machinery and equipment .....		6,535,688	6,317,017
Less accumulated depreciation .....		3,398,780	3,231,465
		<u>3,136,908</u>	<u>3,085,552</u>
Land .....		338,102	327,046
		<u>3,475,010</u>	<u>3,412,598</u>
Other:			
Processes, trademarks, etc., at cost less amounts written off .....		31,560	31,560
Goodwill at cost (including net excess of cost of subsidiaries over their net book value at dates of acquisition), .....		32,439	32,439
		<u>63,999</u>	<u>63,999</u>
		<u>\$14,116,305</u>	<u>\$14,226,897</u>

(See accompanying notes to the

*the laws of Canada)*

ET — DECEMBER 31, 1970

at December 31, 1969)

## 1970

1969

Bank loans and overdrafts (secured — note 1) .....	\$ 2,887,276	\$ 3,109,862
Accounts payable and accrued charges .....	2,066,403	2,285,839
Income and other taxes payable .....	75,536	354,648
	<u>5,029,215</u>	<u>5,750,349</u>

## Capital —

1,325,537 non-cumulative, redeemable  
1% preferred shares with a par  
value of \$1 each

900,000 common shares of no par value

605,035 common shares .....	168,737	168,737
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Retained earnings .....	8,918,353	8,307,811
	<u>9,087,090</u>	<u>8,476,548</u>

A. W. Baillie, Director

B. B. Green, Director

**\$14,116,305**

**\$14,226,897**

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**BOWES COMPANY, LIMITED**

*and its subsidiary companies*

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**STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS**

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**for the year ended December 31, 1970**

*(with comparative figures for 1969)*

	<u>1970</u>	<u>1969</u>
Funds were provided from:		
Operations —		
Consolidated net profit .....	\$ 973,564	\$ 977,143
Add depreciation charged against income but which did not involve an outlay of funds .....	437,106	391,194
Consolidated cash flow .....	<u>1,410,670</u>	<u>1,368,337</u>
Forgivable loan from the Ontario Development Corporation (note 3) .....	127,453	87,400
Mortgage payments received .....	20,729	27,243
	<u>1,558,852</u>	<u>1,482,980</u>
Funds were applied to:		
Purchase of fixed assets (net of proceeds on disposals) .....	626,971	862,966
Dividends paid .....	363,022	363,022
Investment in and advances to affiliated companies .....	3,952	21,415
Payments for processes, trademarks, etc. ....		118
	<u>993,945</u>	<u>1,247,521</u>
Increase in working capital .....	564,907	235,459
Working capital at beginning of year .....	4,808,737	4,573,278
Working capital at end of year .....	<u>\$ 5,373,644</u>	<u>\$ 4,808,737</u>
Represented by		
Current assets .....	\$10,402,859	\$10,559,086
Less current liabilities .....	5,029,215	5,750,349
	<u>\$ 5,373,644</u>	<u>\$ 4,808,737</u>

(See accompanying notes to the consolidated financial statements)



## BOWES COMPANY, LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1970

#### 1. ACCOUNTS RECEIVABLE AND INVENTORIES

The accounts receivable and inventories of the parent company and certain subsidiary companies have been pledged as security against the bank indebtedness.

#### 2. INVESTMENTS IN AFFILIATED COMPANIES

The company's share of the equity underlying its investment in affiliated companies according to the 1970 audited financial statements is \$568,000 (1969 — \$499,000).

#### 3. FORGIVABLE LOAN

By agreement dated January 9, 1969 the Ontario Development Corporation undertook to advance to the Company a maximum of \$214,853 by way of an interest free forgivable loan to assist in the financing of an extension at the Company's plant in Colborne, Ontario which was completed during 1970. At December 31, 1969 \$87,400 advanced to that date was recorded on the balance sheet as a liability; at December 31, 1970, the total amount of the loan (\$214,853) has been applied to reduce the cost of the fixed assets while the comparative balance sheet figures at December 31, 1969 have been correspondingly restated.

Until the loan is forgiven it is secured by a first mortgage on the Colborne lands and premises. Provided the Company complies with all the terms of the agreement, no interest is payable on the loan and it will be forgiven over a six year period commencing in 1972. Accordingly the Company is contingently liable for repayment of the unforgiven balance until 1977.

#### 4. CONTINGENT LIABILITIES

In addition to the contingent liability referred to in note 3, the companies are contingently liable in the following amounts: letters of credit outstanding \$396,000; guarantees of bank advances to affiliated companies up to \$1,500,000; guarantees of mortgages of approximately \$282,000 on property occupied by affiliated companies.

### AUDITORS' REPORT

*To the Shareholders of*

*Bowes Company, Limited:*

We have examined the consolidated balance sheet of Bowes Company, Limited and its subsidiary companies as at December 31, 1970 and the statements of consolidated income and retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Bowes Company, Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of Glendinning, Jarrett, Gould & Co. who have examined the financial statements of a major subsidiary of which they are the auditors and the assets of which represent approximately 25 per cent of consolidated assets.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
February 24, 1971

CLARKSON, GORDON & CO.  
Chartered Accountants

*BOWES COMPANY, LIMITED and subsidiary companies*

**FIVE YEAR FINANCIAL RECORD**

	1970	1969	1968	1967	1966
<b>OPERATIONS</b>					
Sales and Commissions Earned	\$29,214,660	\$28,759,537	\$27,423,276	\$26,465,081	\$23,861,905
NET PROFIT FOR THE YEAR	\$ 973,564	\$ 977,143	\$ 921,370	\$ 859,453	\$ 653,805
Per Share	\$ 1.61	\$ 1.61	\$ 1.52	\$ 1.42	\$ 1.08
NET CASH FLOW	\$ 1,410,670	\$ 1,368,337	\$ 1,256,935	\$ 1,178,951	\$ 948,378
Per Share	\$ 2.33	\$ 2.26	\$ 2.08	\$ 1.95	\$ 1.57
<b>DIVIDENDS PAID</b>					
Common Shares	\$ 363,022	\$ 363,022	\$ 302,518	\$ 181,510	\$ 181,510
Per Share	\$ .60	\$ .60	\$ .50	\$ .30	\$ .30
REDEMPTION OF PREFERRED SHARES				\$ 137,640	\$ 137,616
<b>EQUITY CAPITAL INVESTED</b>					
Working Capital	\$ 5,373,644	\$ 4,808,737	\$ 4,573,278	\$ 4,003,831	\$ 3,434,455
Fixed Assets — Net	3,475,010	3,412,598	3,028,226	2,913,864	2,756,629
Goodwill and Trade Marks	63,999	63,999	63,881	168,885	163,143
Investments	174,437	191,214	197,042	116,675	308,725
TOTAL NET ASSETS	\$ 9,087,090	\$ 8,476,548	\$ 7,862,427	\$ 7,203,255	\$ 6,662,952
Deduct:					
			—	—	—
Preferred Shares			—	—	137,640
TOTAL SHAREHOLDERS EQUITY	\$ 9,087,090	\$ 8,476,548	\$ 7,862,427	\$ 7,203,255	\$ 6,525,312
Per Share	\$ 15.02	\$ 14.01	\$ 12.99	\$ 11.90	\$ 10.78







